

## FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses Global Insight's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the July 2005 to the October 2005 *Idaho Economic Forecast*. The July 2005 *Idaho Forecast* is based on Global Insight's June 2005 baseline forecast and the October 2005 *Idaho Forecast* is driven by Global Insight's September 2005 baseline U.S. macroeconomic forecast.

A comparison of several key variables shows how the outlooks for the national and state economies have changed compared to the July 2005 *Idaho Economic Forecast*. A review of the accompanying table shows the magnitude of change varies among key indicators. Readers are cautioned that a cursory review of the statistics may lead to incorrect conclusions. For example, the table shows national nominal GDP is higher in each year of the forecast than had been projected in July 2005. This may lead one to believe the economy will perform more strongly over the forecast period. However, a closer look at the table reveals these gains are a result of higher inflation, and not underlying real growth. All measures of inflation included on the table are higher than they were in July 2005. In fact, the table shows that after adjusting for inflation, projected real GDP is actually lower in every year of the October 2005 forecast compared to the July 2005 forecast. Higher prices also exact a price on U.S. personal income. As is the case with output, any gains to nominal personal income are wiped out when income is adjusted for inflation. The nation's employment situation in 2007 and 2008 has improved marginally. Thanks to the improved outlook for the nongoods-producing sector, total U.S. nonfarm employment is 0.4% higher than previously forecast in 2007 and 0.6% higher in 2008. Projected U.S. goods-producing employment is down 0.2% from the previous forecast in 2007 and 2008.

Once again, Idaho's economic outlook has improved relative to the previous forecast. Idaho nonfarm employment displays a broad range increase. Specifically, Gem State nonfarm employment is about 7,000 jobs above the previous forecast in 2005 and this advantage climbs to about 9,000 jobs by 2008. Most of the gain over the forecast period will come from the nongoods-producing sector. This sector's advantage will rise from 3,400 jobs in 2005 to 5,300 jobs in 2008. The goods-producing sector has 3,500 more jobs in 2005 than had been previously forecast, but this edge grows to just 3,600 by the forecast's terminal year. It is impossible to make accurate comparisons for Idaho personal income levels because of data revisions that have occurred since the July 2005 *Forecast* was published. However, both Idaho nominal and real personal income are expected to grow faster than has been previously reported.

**IDAHO ECONOMIC FORECAST  
FORECASTS COMPARISON  
DIFFERENCES BETWEEN  
OCTOBER 2005 AND JULY 2005 FORECASTS**

	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>GDP (BILLIONS)</b>									
Current \$	0	0	-17	-33	-1	26	109	146	150
% Difference	0.0%	0.0%	-0.2%	-0.3%	0.0%	0.2%	0.8%	1.1%	1.0%
2000 Chain-Weighted	0	0	-26	-61	-86	-91	-52	-37	-26
% Difference	0.0%	0.0%	-0.3%	-0.6%	-0.8%	-0.8%	-0.4%	-0.3%	-0.2%
<b>PERSONAL INCOME - CURR \$</b>									
Idaho (Millions)	0	0	-558	-749	-481	-150	216	461	491
% Difference	0.0%	0.0%	-1.6%	-2.1%	-1.3%	-0.4%	0.5%	1.0%	1.0%
U.S. (Billions)	0	0	3	7	24	-25	52	95	96
% Difference	0.0%	0.0%	0.0%	0.1%	0.2%	-0.2%	0.5%	0.8%	0.8%
<b>PERSONAL INCOME - 2000 \$</b>									
Idaho (Millions)	0	0	-538	-713	-580	-491	-311	-62	-4
% Difference	0.0%	0.0%	-1.6%	-2.1%	-1.7%	-1.3%	-0.8%	-0.2%	0.0%
U.S. (Billions)	0	0	3	6	-13	-113	-82	-36	-26
% Difference	0.0%	0.0%	0.0%	0.1%	-0.1%	-1.2%	-0.8%	-0.4%	-0.3%
<b>TOTAL NONFARM EMPLOYMENT</b>									
Idaho	4	13	20	19	9	6,984	7,758	8,347	8,971
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	1.3%	1.3%	1.4%
U.S. (Thousands)	0	0	0	0	0	-74	16	521	897
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.4%	0.6%
<b>GOODS PRODUCING SECTOR</b>									
Idaho	1	1	4	3	2	3,545	4,406	3,729	3,628
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	3.3%	4.1%	3.5%	3.4%
U.S. (Thousands)	0	0	0	0	0	6	8	-42	-39
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.2%
<b>NONGOODS PRODUCING SECTOR</b>									
Idaho	3	12	16	15	7	3,439	3,352	4,618	5,343
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	0.7%	0.9%	1.0%
U.S. (Thousands)	0	0	0	0	0	-80	9	564	936
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.5%	0.8%
<b>FINANCIAL MARKETS</b>									
Federal Funds Rate	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.3%	0.4%	0.3%
Bank Prime Rate	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.3%	0.4%	0.3%
Mort Rate, Existing Homes	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.1%	0.1%	0.0%
<b>INFLATION</b>									
GDP Price Deflator	0.000	0.000	0.095	0.306	0.804	1.144	1.460	1.593	1.469
Personal Cons Deflator	0.000	0.000	-0.006	0.010	0.421	1.082	1.503	1.359	1.219
Consumer Price Index	0.000	0.000	0.000	0.000	0.000	0.012	0.019	0.012	0.008

Forecast Begins the **THIRD** Quarter of 2005